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UNECONOMIC BRANCH LINES IN INDIAN RAILWAYS

MINISTRY OF RAILWAYS

PUBLIC ACCOUNTS COMMITTEE 2011-2012

FORTY-SECOND REPORT

FIFTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

FORTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

(FIFTEENTH LOK SABHA)

UNECONOMIC BRANCH LINES IN INDIAN RAILWAYS

MINISTRY OF RAILWAYS

Presented to Lok Sabha on 19 *December,* 2011
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LOK SABHA SECRETARIAT
NEW DELHI
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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

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2. Shri Abhijit Kumar — *Director*
3. Smt. A. Jyothirmayi — *Deputy Secretary*

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* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2010-2011)

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18. Shri Prasanta Chatterjee
19. Shri Kalraj Mishra
20. Shri N.K. Singh
21. Shri Tiruchi Siva
22. Prof. Saif-ud-Din Soz

*Vacancy occurred *vice* Shri Ashwani Kumar has been appointed as Minister of State *w.e.f.* 19th January, 2011.

COMPOSITION OF SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11)

Shri Bhartruhari Mahtab — *Convenor*

MEMBERS

Lok Sabha

2. Shri Naveen Jindal — Alternate Convenor
3. Dr. K. Sambasiva Rao

Rajya Sabha

4. Shri Kalraj Mishra

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Forty-second Report (Fifteenth Lok Sabha) on **'Uneconomic Branch Lines in Indian Railways'** based on Paragraph No. 2.5.1 of C&AG Report No. CA 19 of 2008-09 (Performance Audit), Union Government (Civil) for the year ended March 2007 relating to the Ministry of Railways.

2. The above mentioned Report of Comptroller and Auditor General of India was laid on the Table of the House on 24th July, 2009.

3. Taking cognizance of the inordinate delay on the part of various Ministries/ Departments in furnishing the Action Taken Notes on the Non-selected Audit Paragraphs/Chapters/Reports within the stipulated time frame, the Public Accounts Committee (2010-11) took up the subject for detailed examination and report. A Sub-Committee was specially constituted for the purpose. In due consultation with the Audit, it was decided to examine the position in respect of the Ministry of Railways.

4. In the process of the scrutiny of the Audit Paragraphs/Chapters/Reports pending with the Ministry of Railways, the Sub-Committee came across certain pending Paragraphs/Remedial/Corrective Action Taken Notes on very important issues and considered it prudent to examine and report the same alongwith the Non-Compliance issue. Accordingly, the Sub-Committee took up the above-mentioned Paragraph of (the respective) Audit Report for in-depth examination.

5. The Sub-Committee-I took evidence of the representatives of the Ministry of Railways on the subject at their sitting held on 22.12.2010. The Committee considered and adopted this Report at their sitting held on 23.09.2011. The Minutes of the sittings form Appendices to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

7. The Committee thank the predecessor Committee and the Sub-Committee for taking oral evidence and obtaining information on the subject.

8. The Committee would also like to express their thanks to the representatives of the Ministry of Railways for tendering evidence before the Sub-Committee and furnishing information that the Committee desired in connection with the examination of the subject.

9. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
15 *November,* 2011
24 *Kartika,* 1933 *(Saka)*

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

PART I

REPORT

I. Introductory

The Reports of the Comptroller and Auditor General of India, after being laid in Parliament in accordance with Article 151 of the Constitution of India, stand referred to the Public Accounts Committee for their scrutiny. As it becomes practically impossible for the Public Accounts Committee to examine each and every paragraph contained in the Audit Reports, the Committee adopt a selective approach and take up a few relatively more important paragraphs for in-depth examination at the beginning of their term every year. The paragraphs, not selected for examination, are dealt with by means of a procedure devised by the Committee whereby the Ministries/Departments are required to furnish the Remedial/Corrective Action Taken Notes on all the non-selected Audit paragraphs to the Committee through the Ministry of Finance (Department of Expenditure).

2. Taking cognizance of inordinate delay on the part of the Ministries/Departments in furnishing the Remedial/Corrective Action Taken Notes, the Committee in their 105th Report (Tenth Lok Sabha) had recommended that with effect from 31st March, 1996 the Action Taken Notes on all the Paragraphs of the Reports of the C&AG, which are not formally taken up by the PAC for examination and Reports presented thereupon should be furnished to the Committee within four months of the laying of the Audit Reports.

3. During 2000-01, the Committee in their 9th Report, (13th Lok Sabha) decided that the Remedial/Corrective Action Taken Notes furnished by the respective Ministries/ Departments should be categorized by the Audit under three broad heads namely 'Accepted', 'Partially Accepted' and 'Not Accepted'. Subsequently the Committee also decided that a brief on the Action Taken Notes categorized as 'Not Accepted' should be furnished by the Office of C&AG, clearly indicating the reasons for such categorization as well as the points of difference between Audit and the Ministry/ Department concerned. The Remedial Action Taken Notes and briefs on 'Not-accepted' paras are then circulated to the Members of the PAC for their perusal. If situation warrants, any of these categorized Paras/Reports/Subjects could be taken up for in-depth examination and Report. From the year 2009-10 onwards, the Public Accounts Committee have been examining vigorously the subject 'Non-compliance by the Ministries/Departments in timely submission of Action Taken Notes on Non-selected Audit Paragraphs' and the Reports thereon are also being presented to the Parliament. These Reports too undergo the same stages of 'Action Taken Reports' and 'Action Taken Statements'. In this manner the Remedial Action Taken Notes reach the stage of finality.

4. Even after devising an elaborate system, the Committee note with concern that many Ministries/Departments have been unable to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure which has a special Monitoring Cell) within the prescribed time line of four months. As per the information furnished by Department of Expenditure on 25th June, 2010 Remedial/Corrective Action Taken Notes on a total number of 4191 Chapters/ Paragraphs were pending with various Ministries/Departments.

5. Against this backdrop, the Committee took up the subject of 'Non-compliance by the Ministries/Departments is timely submission of replies to the Audit Paragraphs of the C&AG" on Paragraph 2.5.1 of Report No. CA 19 of 2008-2009 dealing with "Uneconomic Branch Lines in Indian Railways" for detailed examination during the year 2010-11. A Sub-Committee was constituted to examine the issue in detail, prepare separate Reports on each defaulting Ministry/Department concerned with the subject and place the same before the Main Committee for their consideration. In the process, the Sub-Committee obtained Background Notes/Preliminary Materials and Written Replies/Post evidence replies from the Ministries/Departments concerned. The Sub-Committee also took evidence of the representatives of the Ministry of Railways on 22.12.2010. This Report pertains to the Remedial/Corrective action Taken Notes on this Audit Paragraph pending with the Ministry of Railways.

II. Status of pending audit paras in the Ministry of Railways

6. According to Department of Expenditure a total number of 4191 Chapters/ Paragraphs were pending with various Ministries/Departments and out of these a total of 408 paras were pending with the Ministry of Railways on which the Ministry was required to furnish Action Taken Notes. However, Audit informed the Sub-Committee that as on 31st May 2010, a total of 3462 paragraphs were pending with all the Ministries on which Remedial/Corrective Action Taken Notes (ATNs) were due. Out of these, a total of 411 Audit Paragraphs were pending with the Ministry of Railways on which Action Taken Notes were not furnished.

7. ATNs with regard to Para 2.5.1 "Uneconomic Branch Lines in Indian Railways" of Report No. CA 19 of 2008-09, presented to Parliament on 24th July, 2009 were pending with the Ministry.

8. The Committee were informed by the Audit that Action Taken Notes in respect of Para 2.5.1 "Uneconomic Branch Lines in Indian Railways" were sent back to the Ministry for some clarification on 14th March, 2011 and the vetted Action Taken Notes on this para were awaited.

9. In the above context, the Committee had desired to be apprised of the exact number of Audit paragraphs received by the Ministry of Railways in the last two years. The Ministry in its written reply stated that CAG's Report for the year ending 2007-08 and 2008-09 contained 172 and 104 paras respectively.

10. When the Committee wanted to know the status of pending Audit Paragraphs, the Financial Commissioner, Railway Board while deposing before the Committee as under:—

> "The total pendency of ATNs as on date upto the year 2008-2009 is 448 and not 411. Out of this, 357 pertain to the year upto 2007-2008, of which 236 ATNs have been replied to Audit and they are under consideration of Audit; 92 ATNs have been returned by Audit after consideration with further quries or clearance and we are processing those; and 29 of them are finalised and are under submission to the Finance Ministry. Now, as far as the first time replies are concerned, only 26 ATNs are pending for first time reply. We have commitment to give first time replies to all 26 before 31 December. We also have given ourselves a target of finalising at least 50 per cent of the ATNs outstanding on date by 31 March."

11. Subsequently, the Committee were informed by the Ministry in a written submission as under:—

The position as on 14.1.2011, in respect of Audit paras pertaining to last two years, is explained below year-wise:

	Report for the year ending 2007-08	Report for the year ending 2008-09
Total paras received	172	104
Finalised and Replies sent to Ministry of Finance	62	14
Pending with Audit for vetting	75	64
Net Pendency with Ministry	35	26
No. of Audit paras awaiting replies for the first time	03	04

12. The Ministry has also submitted as under:—

> "...in June 2010, 411 Audit Paras (including 153 ATNs where even initial replies had not been sent) were pending. During the year, 104 paras have been added from C&AG's Report for the year ended 2008-09. Out of this total pendency of 515 paras, 87 ATNs have been finalized and sent to Ministry of Finance. As on 14.1.2011, 307 Audit paras are pending with Audit for vetting. 34 Paras are under Hindi translation and will be sent to Ministry of Finance shortly. At present, only 11 paras are pending for submission of initial response/reply to the Audit and sincere efforts are being made to finalize ATNs in these cases as well."

13. The Committee desired to know as to what mechanism the Ministry had devised or proposed to devise, to ensure that the Action Taken Notes were submitted within the stipulated time of four months. In response, the Ministry in a note stated as under:—

On receipt of CAG's Report in the Ministry, Audit Paras are immediately circulated to the Executive Officers concerned within the Ministry for Preparation of ATNs. Following schedule is proposed for expeditious disposal of Audit Paras:

Stage	Expected time
Railway's comments	2 months
Examination of Railway's comments in Board's office	1 month
Audit vetting	1 month

14. In this regard, the Financial Commissioner, Railway Board while deposing before the Committee had submitted that they were trying to get their systems improved and were trying to have better monitoring systems.

15. Putting forth the problems faced in timely submission of Action Taken Notes, the Ministry in its written reply, further added as under:—

"In cases of performance Review Paras or Thematic/Special Audit Paras where all Railways are involved requiring extensive collection of information, the above time limit is difficult to be adhered to.

The time consumed gets multiplied when Audit makes observations on the ATNs proposed by the Ministry of Railways, requiring back references to the Zonal Railways/Divisions, and sometimes further to field units. In some cases, in the event of a disagreement between Audit and the Executive, ATNs get held up and a lot of avoidable time is consumed in the finalization process.

Finalized ATNs are also required to be submitted to Ministry of Finance alongwith Hindi version, which at times delays submission of the same."

16. When the Committee specifically asked if any responsibility was ever fixed for not furnishing remedial Action Taken Notes on the pending audit paragraphs, the Ministry in a written submission replied as under:—

"Officers responsible for not furnishing replies expeditiously on pending Audit Paras are being counselled and sensitized from time to time to be more cautious and prompt. Further, as directed by Ministry of Financé, non-submission of ATNs within the stipulated time will henceforth be a criterion for reviewing of Annual Performance Appraisal of Executives concerned."

17. On being queried as to when the Action Taken Notes on these pending paragraphs were likely to be submitted for further compliance, the Ministry replied as under:—

"All efforts are being made to submit the ATNs, where initial replies have not been submitted to Audit, by the end of January 2011. Further, 50 per cent of the total outstanding are targetted to be cleared by the end of March 2011 and the remaining ones soon thereafter."

18. When asked about the efficacy of computerization system in complying with the replies in real time period *i.e.* four months, the Financial Commissioner, Railway

Board while deposing before the Committee stated:—

> "Actually, this particular subject does not give itself to very much of computerization. These are textual reports with lot of text. We can only take the numbers outstanding and the dates from which they have been issued. This kind of statistics is being maintained on computers in the Railway Board as well as in the Zonal Railways and the production units. We can reconcile the numbers, but actually each ATN is an audit paragraph, which has to be replied to the full satisfaction of audit and the Hon'ble PAC so that we are able to explain why we have gone wrong where we have gone wrong; and what we have done to improve the system so that we do not repeat that kind of error or what system changes are required and have been put in place? So, for each ATN we have to go through this process."

The representative further added that the computerization has not helped very much in this case.

III. Uneconomic branch lines in Indian Railways

19. The narrow gauge lines and such lines that join the main line network at one end only are termed as branch lines. Branch lines in Indian Railways (IR) are as old as the railway system, many of them are more than 100 years old, and have become integral part of the system. IR have accepted that, despite concerted efforts to enhance earnings from branch lines operation, most of these lines remain commercially unviable. Audit para revealed that the collective loss of all uneconomic branch lines across IR was ₹ 497.86 crore in 2005-06 (105 lines), which increased to ₹ 635.08 crore in 2006-07 (95 lines).

IV. Identification of uneconomic branch lines

20. Audit observed that several high level Committees over the years had recommended that all such uneconomic branch lines where alternative modes of transport existed or could be developed, should be closed down so as to reduce, to the extent possible, the losses which accrued to IR year after year.

21. Regarding the details about the number of Uneconomic Branch Lines (UBL) and the losses incurred during the year 2004-05 to 2008-09, the Ministry of Railways submitted as under:—

Year	No. of UBLs	Cost (in crores of rupees)	Net loss (in crores of rupees)
2004-05	110	414	405
2005-06	111	502	451
2006-07	104	323	425
2007-08	106	710	422
2008-09	100	786	732

22. On being asked about the mechanism in place for identification of Uneconomic Branch Lines, the Ministry in a note has furnished as under:—

> "Every year a review of the financial results of uneconomic branch lines is conducted to ascertain their remunerativeness or otherwise. The number of lines found uneconomical varies from year to year on account of variations in traffic and/or the working expenses.
>
> Railway Convention Committee (1977) recommended that in regard to the unremunerative Branch Lines, the capital cost, to be exempted from dividend payment, should be worked out by adopting 'marginal coast' principle. Therefore, for the purpose of working out losses in the uneconomic branch lines, the *principle of Marginal costing* is applied. In the marginal cost analysis, the operating expenses are split into variable and fixed costs. The principle of marginal costing takes into consideration only variable costs, which for the present purpose means working expenses. There working expenses of a branch line are divided into two parts:
>
> (i) *Directly charged expenditure* which can *ab-initio* be identified as pertaining to a branch line like staff costs etc.
>
> (ii) *Indirectly charged expenditure* which is not directly identified for the branch line but is booked for Division as a whole like fuel cost, wagon maintenance costs etc. *Pro-rata* distribution of this expenditure is attributed to the branch line.
>
> For working out return of a branch line, the additional earnings accruing as a result of construction of branch line, on a main line (already existing) are also credited to the branch line. Similarly for working out additional expenses, only long term variable costs due to additional traffic are considered.
>
> The main factor responsible for making a line uneconomic is the low density of traffic on that line. The narrow gauge lines, in addition, suffer from various disadvantages like break of gauge involving transshipment, short lead, severe competition from roadways etc."

V. Financial appraisal of branch lines

23. Audit found that the process of compilation of financial results of branch lines was found defective in some zones. The financial results communicated to Railway Board were not comprehensive and accurate. In four zones [Western Railway (WR), South East Central Railway (SECR), North Eastern Railway (NER) and Northeast Frontier Railway (NFR)] financial results were not being compiled for 46 branch lines (WR28, SECR6, NER7 and NFR5) and the remunerativeness of these lines was therefore not susceptible to verification. In East Central Railway (ECR) also, financial results of only the five branch lines identified as uneconomic were maintained, while in North Central Railway (NCR), only the branch lines already identified as uneconomic prior to formation of the zone were included in the list of uneconomic branch lines without conducting any scrutiny of the performance of all branch lines.

24. When the Committee enquired whether any mechanism had been put in place for conducting the financial appraisal of Uneconomic Branch lines, the Ministry submitted as under:—

> "Detailed codal provisions for financial appraisal of un-remunerative branch lines are enshrined in Para. 924 to 927 of Indian Railways Administration and Finance Code.
>
> As per these provisions, apart from taking measures to increase the earnings, the Railways should also see that uneconomic services are reduced to the minimum extent, consistent with their social and commercial obligations. The case of each branch line or a section of a branch line (other than a worked line), the earnings of which are less than the working expenses, should be specially brought to the notice of the General Manager by the Financial Adviser and Chief Accounts Officer so that a report may be made to the Railway Board for consideration of the question of closing the line, partially or totally, if its retention is not considered necessary. General Manager should, while forwarding the review made by the Financial Adviser and Chief Accounts Officer, also comment on the economic purpose served by branch line in an area. The branch line should not be looked at isolation but as part of an integrated railway system."

25. On being asked if financial appraisal was available centrally as an integrated web-based system for the Indian Railways, the Ministry of Railways in its written submission stated:—

> "Financial appraisal of Un-remunerative branch lines are submitted to the Ministry of Railways annually by the zones as per prescribed time-table, based on the codal rules and also the guidelines circulated by the Ministry from time to time. The same is available centrally with the Ministry, year-wise. However, the data is not web-enabled, since this is an annual exercise which does not necessitate frequent data uploading."

26. When the Committee sought to know about the number of branch lines identified as Un-economic since March, 2004, loss assessed during the period 2009-10 and anticipated loss during 2010-11, the Ministry in its submission to the Committee stated as:—

> "Number of Un-remunerative branch lines added between 2002-03 and 2008-09 is 14. The number of un-remunerative branch lines which have become remunerative between 2002-03 and 2008-09 is 29. The loss assessed during the period 2008-09 is ₹ 732.01 crore out of which ₹ 82.15 crores is on account of the four NG Heritage Railways. Thus net loss is ₹. 649.85 crores, *i.e.* 0.90% of Working Expenses of Indian Railways (₹ 71839 crores in 2008-09). The losses for 2009-10 is currently under compilation and will be submitted, once the exercise is complete. For 2010-11, the losses can be compiled only after the closure of the financial year."

27. The Financial Commissioner, Railway Board while deposing before the Committee submitted as under:—

> "The audit para on un-economic branch lines was based on the list of un-economic branch lines of 2002-03 where there were 115 branch lines which were

declared to be un-economic—51 in BG, 41 in MG and 23 in NG. Out of these, till date 29 lines are no longer in that list. They have become economic. But 14 more new lines have come into that list. So, the position today is there are 100 un-economic branch lines. This list is quite dynamic and the fact that 29 have come out of that list is testimony to the fact that we are trying very hard to try and make them economic. Each line which gives us a loss has a different solution."

The representative further added:—

"…we do not cost trains before their introduction in the sense that when a train is to be introduced we do not work out the economics. It is introduced on the basis of demand—whether it is by passenger committee or it is by the zonal railway users' committee or by the hon. Members of Parliament or by MLAs…".

The representative, however, assured that they would think in terms of having some kind of a train costing system which was not hitherto prevalent.

28. The Committee were given to understand that on receipt of Railways Reforms Committee (RRC) recommendation for closure of un-economic branch lines, the then Minister of Railways wrote in March, 1985 to the Chief Ministers of ten States and one Union Territory for closure of these un-economic branch lines or share 50 per cent of the losses between the States and Centre. However, none of the State Governments had agreed either for closure of the lines or for sharing the losses on 50:50 basis.

29. When asked about the steps taken to make the State Governments agreeable for closure of un-economic lines and sharing the losses on 50:50 basis, the Ministry in a written submission stated:—

"Due to persistent efforts from Ministry of Railways, some projects for New Lines, Gauge conversion and doubling projects are being shared by the State Government, PSUs, Ports etc."

VI. Inadequate cost reduction measures

30. Audit observed that no cost reduction measures were directed by Railway Board for implementation in 46 un-economic branch lines identified by the Executive Director's Committee for cost reduction over 11 zones and IR had continuously incurred losses every year on the operation of Un-economic Branch Lines. Even though more than four years had elapsed since Railway Board had instructed (July, 2004) the zones, barring two lines [Southern Railway (SR)—Sharanur-Nilambur and Eastern Railway—Sheoraphuli-Tarakeshwar], cost cutting measures were not implemented at all and the zones were incurring losses every year. The collective loss on account of operating these 11 Un-economic Branch Lines without implementing the envisaged cost cutting measures was ₹ 33.24 crore during 2005-06 to 2006-07.

31. The Committee were informed that the Zonal Railways had been advised to continue their efforts to persuade the State Governments to agree for the closure of such lines and also, the Railways were taking steps to reduce the working expenses on unprofitable lines.

32. When the Committee desired to know about the steps taken to reduce the working expenses on such lines, the Ministry in its reply submitted as under:—

"The various cost cutting measures already taken have been classified into following categories:—

1. One train only/Reduction in train services in 10 sections.

2. Mobile Booking Clerk in 2 sections.

3. Withdrawal of staff in 2 sections.

4. Introduction of rail bus in 1 case.

5. Additional Train to improve earnings in 4 lines.

6. Outsourcing of commercial activities in 8 sections.

7. Downgradation of stations in 4 cases.

8. Curtailment of train services/reduction in train services in 4 sections.

9. Outsourcing of Safaiwalas in 2 sections.

10. Signalling improvement resulting in increase in trains in 1 section.

11. Introduction of Travelling Gateman in 4 lines.

12. Tourist Package introduction in 5 cases.

13. Gauge Conversion/Doubling work/Bridge work taken up in 10 lines.

14. Closure of Station/Section stoppage of operations in 2 sections".

VII. Upgradation of Lines

33. Gauge Conversion is considered as an important measure to make unviable lines viable ones. In this context, the Chairman, Railway Board in his deposition before the Committee submitted as under:—

"In 1993, we took a momentous decision in the history of the Indian Railways when it was decided that the Railways would go in for unigauge. Now, 17 years have passed and we have seen the benefits which have accrued from that decision of the people. As of now, we have converted nearly 24,000 to 25,000 kilometers of metre gauge and narrow gauge lines. It has changed the whole Rajasthan State, which has benefited from it. It has changed the North Bihar, and now the U.P. area where also we have converted in a big way and much more benefits are going to accrue. Similarly, in Assam also, we have converted huge tracks of metre gauge and we have been able to reach remotest corner of the North-Eastern States, and much more is to be done because the conversion is going on."

He further elaborated:—

"We have nine lines that are getting converted to broad gauge and they will be

brought into the main frame of the railway network and will provide further hope of development in that area and then we will be left with a few ones.".

VIII. Closure of Branch Lines

34. Regarding the un-economic Branch Lines the Committee were informed by the Ministry that Indian Railways Enquiry Committee (1936-37); Committee on Transport Policy and Co-ordination (1959); Estimates Committee (1967-68); National Transport Policy Committee (NTPC) (April, 1978) etc. had recommended closure of these lines on the ground that these lines acted as a drag on the financial viability of the Railways, whereas some other committees *viz*. the Public Accounts Committee (1968-69); Un-economic Branch Lines Committee (1969); Administrative Reforms Commission (1970); Railway Convention Committee (1973); High level Committee on Social Burdens (January 1978); Railway Fare and Freight Committee (1993) etc. had *inter-alia* recommended continuation of these Un-economic Branch Lines contingent upon passing of the losses to the State Governments, taking measures to improve viability of these lines, meeting the losses out of public revenue of State or Centre, deeming these lines were serving public interest, reimbursement of losses by the State Governments to the Railways etc.

35. On being asked about the steps taken to improve the viability of Un-economic Branch Lines, close them, share the financial burden with concerned State Government especially in the light of the recommendations of Committees/Commissions, the Ministry in a written reply stated:—

"On receipt of RRC recommendation for closure of un-economic branch lines, the then Minister of Railways Shri Bansi Lal wrote a letter in March, 1985 to the Chief Ministers of ten States and one Union Territory.

The letter requested the States to agree to the closure of un-remunerative branch lines; alternatively share the losses with the Ministry of Railways on 50:50 basis.

The main problem in closing the identified un-economic lines is the resistance from the concerned State Governments despite the various incentives offered to them.

However, the Zonal Railways have been advised to continue their efforts to persuade the State Governments to agree to the closure of such lines. Meanwhile, the Railways are taking steps to reduce the working expenses on such lines as already discussed above.

Further, the plan of action has been advised to the Zonal Railways *vide* Railway Board's letter No. 97/TC(M&S)/17/6, dated 17.2.1998.

I. To reduce working expenses, the following measures may be taken wherever required:

(a) Downgradation of stations into contractor-operated halts.

(b) Introduction of 'One Engine Only' system whereby only one train can

be in the section at any time. This obviates the need for block working and hence reduces the staff requirement.

(c) To introduce tourist packages on the pattern of Kalka-Shimla section to make it viable.

(d) Curtailment of train services including running of trains only during day time, cancellation of trains on Sundays and other holidays etc.

(e) Issue of passenger tickets by Travelling/Booking Clerks on the trains running on the section.

(f) Dismantling of sidings.

(g) Dismantling of signalling equipments.

II. To explore the possibility of improving earnings on some of the branch lines, it may be considered to:

(a) Introduce rail car service with reduced loads.

(b) Increase frequencies of trains.

III. The dialogue with the State Governments concerned may be continued to persuade them to agree to the closure of the Un-economic Branch Lines where the above steps may not be helpful. Efforts may also be made to persuade the State Governments concerned to agree to the closure of the remaining 25 lines recommended by the Railways Reforms Committee. Similar efforts may be made by the Western Railway for closure of the remaining lines in Gujarat where adequate road facilities exist at present.

The action taken by Railways is being pursued *vide* FC/Railways' letter 11.1.2000. Some Railways have replied that measures like 'One Train Only' system, down gradation of stations, package tours, etc. to reduce working expenses and improve viability have been implemented successfully in respect of a few lines. In respect of some lines the matter is being pursued with State Governments."

36. In March, 2002, the Railways constituted a Committee consisting of five Executive Directors (ED) of the Railway Board to study the economics of each branch line so as to identify major causes due to which the branch line was losing its entity, suggest remedial measure for reducing losses and identify the branch lines amenable to concession and the models of concessions to be followed in each case. The Committee submitted its report in March 2004. Out of 126 lines, 115 branch lines were identified as un-economic. Out of these, seven branch lines were recommended for closure. Various cost cutting measures for curtailing losses were suggested in respect of 59 branch lines, while no action was proposed for the remaining 49 lines. Based on these recommendations, Railway Board had instructed (in July, 2004) the zones to implement cost cutting measures only in 13 lines. No directions were issued for the closure of identified Un-economic Branch Lines.

37. Asked to explain why any direction for the closure of seven Un-economic Branch Lines was not issued, the Ministry in a written reply submitted:

"The Ministry of Railways had evolved a positive plan, as part of Unigauge Policy, to integrate the 7 un-economic branch lines into the Indian Railways BG network, keeping in view the economic necessity, local demands and State Goverments' social obligation concerns.

Accordingly, 5 out of 7 un-economic branch lines have taken up for conversion to BG.

The following sections have not been closed for the following reasons:—

1. Himatnagar-Khadbrahma—This section continues to be operated on socio-political grounds. The Zonal Railway had advised the State Government of Gujarat for giving consent for closure of the Un-economic Branch Lines situated in Gujarat. But the Government of Gujarat did not agree with the proposal of closure stating that the Railway line passes through rural/tribal areas of Gujarat connecting remote and underdeveloped pockets. The area can be developed by the gauge conversion of these Railway Lines for development of these backward belts.

2. Mavli-Baridadri — An average number of 2226 passengers travel in this section daily. The average daily earning is ₹ 99,928. Possibility is being examined to put halt agents instead of booking clerks at Bhinder and Kanor stations."

38. The Committee were also informed by the Ministry that out of six recommendations only first two recommendations of the Executive Directors Committee (2002) had been approved by the Board and rest of the recommendations were under consideration.

39. Asked about the time frame envisaged for taking a final view on the recommendations of the Executive Director's Committee (2002), the Ministry admitted in its written note that:—

" No time frame has been given. The definition of un-remunerative branch lines will be revisited since unigauge policy has given benefit in overall connectivity, asset management and productivity. Evaluation of branch lines should not be looked at in isolation but as part of an integrated Railway System as envisaged in the codal provisions."

40. However, the Chairman, Railway Board during his deposition before the Committee gave his views as under:—

".....We have to now take a holistic view of the whole railway operations. And if Indian Railway is viable and if some parts of it are not viable, we should not denigrate it. There are systems where when we have reached, we may not be able to say that 15 kilometres or 50 kilometres of line is economic or un-economic, but it is a part of the big whole. That whole is more important and these parts make that whole. When we are talking of inclusive growth and we are talking of socially desirable lines now to be built and being debated in both Lok Sabha and Rajya Sabha, we have to take a fresh look at what is economic and what is

un-economic. But what is more important is that if something is un-economic, can we curtail that expenditure there to reduce our losses there? What I want to bring out here, as the Chairman of the Railway Board this is my humble request to you, that we should not think of closing the lines but we should think of cutting down the expenditure."

He further elaborated:—

"We have now as today things stand, about hundred lines, euphemistically said as un-economic lines, 52 of them are broad gauge, 28 are meter gauge and 20 are narrow gauge. Out of that, there are six lines which are now strategic lines. I think, the nation needs them and we have to run them. There are four heritage railways; they are the pride of the nation."

41. Audit had observed that the Railways Reforms Committee (RRC) of 1983 had recommended 57 un-economic branch lines for closure, out of which 19 lines could only be permanently closed till the Executive Director's Committee was constituted in 2002.

42. With regard to the steps taken to ensure the closure of these Un-economic Branch Lines as recommended by RRC of 1983, the Ministry in a note has submitted as under:—

"Minister of Railways wrote to the concerned State Governments in March ,1985 regarding closure of 40 Un-economic Branch Lines. It was further recommended in the letter that in case State Governments do not desire to close the lines they should share 50% of the losses incurred by the Railways.

Most of the State Governments did not respond. The Chief Minister of Puducherry had replied that due to socio-political considerations the lines cannot be closed and the State can also not share the losses on 50:50 basis."

PART II

OBSERVATIONS/RECOMMENDATIONS

1. **The Committee note that as per information of the Ministry of Finance (Department of Expenditure) 4191 Remedial/Corrective Action Taken Notes were pending as on 25th June, 2010. According to the data furnished by Audit in this regard, a total of 3462 Paragraphs were pending with all the Ministries as on 31st May, 2010. Having observed the discrepancies of figures pertaining to pendency of cases between the Ministry and the Audit, the Committee, would urge the Ministry of Finance, Department of Expenditure, to reconcile the pendencies and report the correct figures to them.**

2. **The Committee found that 448 paras were pending with Ministry of Railways. The Railways attributed the delay in furnishing the ATNs to large geographical spread area, the time consumed in collecting replies from several far flung units of the Railways and reconciling the same. Repudiating the assertion of the Ministry, the Committee reiterate that four months time for submitting the ATNs was decided only after taking into consideration all such constraints. While expressing their displeasure over the failure of the Ministry in timely submission of Action Taken Notes, the Committee, recommend that the issue of pendency of Remedial/Corrective Action Taken Notes be reviewed periodically by the Chairman, Railway Board himself to ensure that information is collected timely from the Zones/Units and is submitted within the stipulated period.**

3. **The Committee note that Indian Railways has envisaged various measures to cut down the expenditure on these Un-economic Branch Lines and also to explore the possibility of improving earnings on some other branch lines. These include — (a) Downgradation of stations into contractor-operated halts. (b) Introduction of 'One Engine Only' system whereby only one train can be in the section at any time which obviates the need for block working and thus reduces the staff requirement. (c) To introduce tourist packages on the pattern of Kalka-Shimla section to make it viable. (d) Curtailment of train services including running of trains only during day time, cancellation of trains on Sundays and other holidays etc. (e) Issue of passenger tickets by Travelling/Booking Clerks on the trains running on the section. (f) Dismantling of sidings. (g) Dismantling of signalling equipments. (h) Introduce rail car service with reduced loads. (i) Increase frequencies of trains. The Committee however are pained to note that the measures line 'One train only' system, downgradation of stations, package tours, etc. to reduce working expenses and improve viability have been implemented successfully only in respect of a few lines. The Committee are of the considered view that these measures be pursued vigorously and applied to all those branch lines where they could ensure that the Un-economic Branch Lines become viable. Further, the Committee would like to impress upon the Ministry to take up the matter with the State Governments again in order to ensure that the**

losses incurred currently are reduced to barest minimum if not curtailed fully and apprise the Committee of the same.

4. **The Committee while scrutinizing the subject found that in the year 2002-03, there were 115 branch lines which were declared to be un-economic — 51 in Broad Gauge (BG), 41 in Metre Gauge (MG) and 23 in Narrow Gauge (NG). Out of these, 29 lines have become economic, but 14 more new lines were added into that list making 100 branch lines un-economic. The Committee are happy to note that the efforts of the Ministry had fructified and converted 29 un-economic lines into remunerative ones. However, they regret to note 14 lines are still far from viable. The Committee recommend that the Ministry conduct a comprehensive and time bound study by experts to look into the matter and take necessary measures to mitigate their financial burden.**

5. **The Committee are constrained to note that the losses on Un-economic Branch Lines are getting accentuated year after year and the loss during the period 2008-09 is ₹ 732.01 crore. The Committee desire that the Ministry put in place a Train Costing System and compute expenses *vis-a-vis* tentative earnings at project estimate stage itself. In this regard, the Committee urge the Ministry to conduct half yearly survey which would enable it to cut down the anticipated loss during the financial year. The Committee would also like to be informed about the losses incurred during the year 2009-10 and 2010-11.**

6. **The Committee find that the Ministry having gone in for uni-gauge project, had given the benefit in overall connectivity, asset management and productivity. It had converted nearly 24000 to 25000 Kilometres of metre gauge and narrow gauge lines and owing to gauge conversion many States like Rajasthan, Bihar, UP, Assam and North Eastern States had benefited. Appreciating the Ministry's action, the Committee desire that the Ministry expedite the uni-gauge project wherever it is feasible so as to arrest the ever growing losses which had an impact on the dwindling earnings of the Indian Railways. The Committee also note that the Ministry's move to have a re look on the definition of Un-economic Branch Line. The Committee, would like to be apprised about the same and to what extent redefining the Un-economic Branch Lines had helped in curtailing the losses on these lines.**

7. **The Committee find that the Indian Railways Enquiry Committee (1936-37), the Committee on Transport Policy and Coordination (1959), the Estimates Committee (1967-68), the National Transport Policy Committee (NTPC), (April 1978) etc. recommended closure of Un-economic Branch Lines on the ground that these lines acted as a drag on the financial viability of the Railways, whereas some other Committees *viz.* the Public Accounts Committee (1968-69), Un-economic Branch Lines Committee (1969), Administrative Reforms Commission (1970), The Railway Convention Committee (1973), the High level Committee on Social Burdens (January 1978), Railway Fare and Freight Committee (1993) etc. had *inter-alia* recommended**

continuation of these Un-economic Branch Lines contingent upon passing of the losses to the State Governments, taking measures to improve the viability of these lines, meeting out the losses out of public revenue of State or Centre, deeming these lines are serving public interest. The Committee are of the view that mere constitution of Committees/Commissions is no solution until their recommendations are translated into action in letter and spirit in a time bound manner.

NEW DELHI;
15 *November*, 2011
24 *Kartika,* 1933 (*Saka*)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIFTH SITTING OF SUB-COMMITTEE-I OF PUBLIC ACCOUNTS COMMITTEE (2010-11) ON "NON-COMPLIANCE BY THE MINISTRIES/ DEPARTMENTS IN TIMELY SUBMISSION OF ACTION TAKEN NOTES ON THE NON-SELECTED PARAGRAPHS OF THE C&AG OF INDIA" HELD ON 22ND DECEMBER, 2010

The Sub-Committee-I of the Public Accounts Committee sat on Wednesday, the 22nd December, 2010 from 1600 hrs to 1710 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Ashwani Kumar — *Convenor*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Naveen Jindal

SECRETARIAT

1. Shri Rajshekhar Sharma — *Director*
2. Shri Sanjeev Sharma — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

Ms. R. Rajalakshmi — Director General (Railways)

Representatives of the Ministry of Railways

1. Shri Vivek Sahai — Chairman, Railway Board and *ex-officio* Principal Secretary to the GoI
2. Shri Samar Jha — Financial Commissioner, Railways and *ex-officio* Secretary to the GoI
3. Shri A.P. Mishra — Member Engineering, Railway Board and *ex-officio* Secretary to the GoI
4. Shri Sudesh Kumar — Member Electrical Railway Board and *ex-officio* Secretary to the GoI
5. Shri Sanjiv Handa — Member Mechanical, Railway Board and *ex-officio* Secretary to the GoI
6. Shri V.N. Tripathi — Member Staff, Railway Board and *ex-officio* Secretary to the GoI

2. At the outset, Hon'ble Convenor, Sub-Committee-I of the Public Accounts Committee, welcomed the Members and representatives of the Office of the C&AG of India to the sitting of the Sub-committee. Thereafter, the Audit Officers and the Secretariat briefed the Sub-committee on the various issues concerning the subject on "Non-compliance by the Ministries/Departments in timely submission of Action Taken Notes on the Non-selected Paragraphs of the C&AG of India."

3. The Convenor then informed the Members that the sitting has been convened for taking oral evidence of the representatives of the Ministry of Railways on the subject relating to "Non-compliance by the Ministries/Departments in timely submission of Action Taken Notes on the Non-selected Pargraphs of the C&AG of India." The Convenor also informed the Members that the meeting will proceed with a discussion on two paras *viz.* para 2.5.1 "un-economic Branch Lines in Indian Railways" and para 3.1.1 "Idle Investment on a New Line" of CAG Report No. CA 19 of 2008-09.

4. Thereafter, the representatives of the Ministry of Railways were called in and the Convenor welcomed them to the sitting of the Sub-committee. The representatives first, briefed the Sub-committee on the initiatives taken by their MInistry in timely submission of replies to the Audit paragraphs of C&AG. They also, *inter-alia,* threw light on the current status of pending paras in their Ministry and difficulties faced by the Ministry in replying to the pending Audit Paragraphs within the stipulated time frame. The deliberations were also held on the two paras on "Un-economic Branch Lines in Indian Railways" and "Idle Investment on a New Line". The representatives replied to various queries of the members of the Sub-committee during the sitting.

5. The Convenor then thanked the representatives of the Ministry of Railways for appearing before the Sub-committee and for furnishing information in connection with the examination of the subject. The Convenor also thanked the officers of the office of the C&AG of India for providing assistance to the Sub-committee in the examination of the subject.

A copy of the verbatim proceeding has been kept on record.

The Sub-committee then adjourned.

APPENDIX II

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 23RD SEPTEMBER 2011

The Public Accounts Committee sat on Friday, the 23rd September, 2011 from 1130 hrs. to 1330 hrs. in Room No. '53', Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Anant Kumar Hegde
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Sanjay Nirupam
7. Shri Jagdambika Pal
8. Shri Adhi Sankar
9. Kunwar Rewati Raman Singh
10. Shri K. Sudhakaran
11. Dr. Girija Vyas

Rajya Sabha

12. Shri Tariq Anwar
13. Shri Prasanta Chatterjee
14. Shri Naresh Gujral
15. Shri Prakash Javadekar
16. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh	—	*Joint Secretary*
2. Shri Abhijit Kumar	—	*Director*
3. Shri M.K. Madhusudhan	—	*Additional Director*
4. Shri Sanjeev Sharma	—	*Deputy Secretary*
5. Shri D.R. Mohanty	—	*Deputy Secretary*
6. Smt. A. Jyothirmayi	—	*Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1.	Shri K.P. Sasidharan	—	Director General (AB)
2.	Ms. Subha Kumar	—	Director General (Report Central)
3.	Shri A.M. Bajaj	—	Principal Director (ESM)
4.	Shri C.M. Sane	—	Principal Director (AFN)
5.	Ms. Divya Malhotra	—	Principal Director (Railway Audit Board)

2. * * * * * *
3. * * * * * *

4. The Committee, thereafter, took up the following Draft Reports, one by one, for consideration and adoption:

(i) * * * * * *
(ii) * * * * * *

(iii) Draft Report on 'Uneconomic Branch Lines in Indian Railway';

(iv) * * * * * *
(v) * * * * * *

(vi) * * * * * *
(vi) * * * * * *

(vii) * * * * * *
(vii) * * * * * *

(viii) * * * * * *

5. After some discussion, the Committee adopted all but one Draft Report mentioned at Sl No. (vii) above, with some modifications/suggestions.

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6. * * * * * *

7. The Committee authorized the Chairman to finalise the adopted Draft Reports in light of the factual verifications, if any, made by the Audit and present them to the House on a date convenient to him.

The Committee then adjourned.

****Part not related to this Report.

GMGIPMRND—3510LS—12-01-2012.